

MINUTES OF MEETING OF BOARD OF DIRECTORS
December 14, 2010

THE STATE OF TEXAS
COUNTY OF HARRIS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 186

The Board of Directors (the "Board") of Harris County Municipal Utility District No. 186 (the "District") met in special session, open to the public, at the offices of Fulbright & Jaworski L.L.P., 1301 McKinney, Suite 5100, Houston, Texas, at 12:00 p.m. on December 14, 2010; whereupon the roll was called of the members of the Board, to wit:

Gary Henderson, President
Mark Day, Vice President
Carol Barnes, Secretary
Leonard Fojt, Treasurer
Charles Bumpass, Assistant Secretary

All members of the Board were present except Director Bumpass. Also attending all or parts of the meeting were Mr. Chris Hoffman and Joshua Board of H2O Consulting, Inc. ("H2O"), operators for the District; Ms. Michelle Guerrero of Bob Leared Interests ("BLI"), tax assessor and collector for the District; Mr. Tony Sarman of AECOM Technical Services, Inc. ("AECOM"), engineers for the District; Ms. Julie Peak of First Southwest Company ("FSWC"), financial advisor for the District; and Ms. Jana Cogburn and Ms. Nancy Green of Fulbright & Jaworski L.L.P. ("F&J"), attorneys for the District.

The meeting was called to order and, in accordance with notice posted pursuant to law, copies of Certificates of Posting of which are attached hereto as Exhibit "A," the following business was transacted:

1. **Public Comments.** There were no public comments.
2. **Minutes.** Consideration was given to the approval of the minutes of the meeting of November 16, 2010, previously distributed to the Board. Upon motion by Director Barnes, seconded by Director Day, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meeting of November 16, 2010, as presented.
3. **Tax Assessor and Collector's Report.** Ms. Guerrero presented to and reviewed with the Board the Tax Assessor and Collector's Report, a copy of which is attached hereto as Exhibit "B." Ms. Guerrero reported that 99.29% of the District's 2009 taxes and 4.69% of the District's 2010 taxes have been collected. Upon motion by Director Fojt, seconded by Director Day, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Tax Assessor and Collector's Report, and to authorize payment of check nos. 1155 through 1157 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

4. **Bookkeeper's and Investment Report.** The Board reviewed the Bookkeeper's Report, the budget for the fiscal year ending February 28, 2011, and the Investment Report, copies of which are attached hereto as Exhibit "C." Upon motion by Director Barnes, seconded by Director Day, after full discussion and the question being put to the Board, the Board voted unanimously to accept the Bookkeeper's Report, to authorize payment of check nos. 6728 through 6749 from the Operating Account, each in the amounts, to the persons, and for the purposes described in the Bookkeeper's Report and to approve the Investment Report.

5. **Operations Report.** Mr. Hoffman presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "D." Mr. Hoffman reported that the District pumped 4,045,000 gallons of water and purchased 9,987,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period. Mr. Hoffman reported that H2O accounted for 78.8% of the water pumped and purchased by the District in November 2010. Mr. Hoffman reported that the meter calibrations revealed that two apartment meters need to be replaced.

Mr. Hoffman reported on water line maintenance and stated that H2O repaired the operating nut on the damaged stack valve at the intersection of Glenchase and Clear Valley at a final cost of \$4,424.79.

Mr. Hoffman reported that the water meter calibrations are complete on 19 out of 20 meters. Mr. Hoffman reported that the low flow and high flow metering chamber needs replacing on the meter at 15503 FM 529 at an estimated cost of \$2,500. Mr. Hoffman reported that the measuring assembly needs replacing on the meter at Sugar Ridge near Knoll Cliff at an estimated cost of \$875. Mr. Hoffman reported that the measuring assembly needs to be replaced on the meter at Jason's Deli at an estimated cost of \$600. Mr. Hoffman reported that the meter at the Coppermill Apartments is non-operational and noted that the meter testing company recommended reworking the four-inch meter assembly and installing a vault at an estimated cost of \$6,750. Mr. Hoffman stated that the total estimated cost for the repairs is \$10,725. Mr. Hoffman reported that the District is losing approximately \$1,200 per month per apartment complex in water payments to the WHCRWA from the meter problems. Discussion ensued. Upon motion by Director Barnes, seconded by Director Day, after full discussion and the question being put to the Board, the Board voted unanimously to approve the water meter repairs and replacements at an estimated total cost of \$10,725.

Mr. Hoffman reported on sewer line maintenance and stated H2O has completed water testing the seals on four manholes located in Southcreek and is waiting on the reports.

Mr. Hoffman reported that Copperfield Joint Operations Board ("CJOB") approved repairs on River Garden yesterday and H2O will begin the work in the next month. Mr. Hoffman reported that the Board approved the repairs 60 to 90 days ago.

6. **Engineer's Report.** Mr. Sarman reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "E." Mr. Sarman reported on the Control Panel and MCC design and noted that the construction contracts have been corrected and

submitted to F&J for confirmation. Mr. Sarman noted that the contracts are being presented to the Board today for signature.

Mr. Sarman reported no new updates on used natural gas generators.

Mr. Sarman reported that CJOB has videoed additional shared sewer lines following the discovery of a missing section of clay line on Longenbough. Mr. Sarman reported that AECOM will review the remaining shared sewer lines and look into bidding the projects at the same time in order to obtain cost savings. Mr. Sarman reported that AECOM reviewed the types of materials used in the District and, other than the 21-inch clay pipe that was recently televised, AECOM did not identify any additional clay pipe in the District.

Mr. Hoffman reported that TX Dot has prepared a program to modify the traffic flow at FM 529 and Highway 6 but he is not sure how the modifications will impact the District.

7. **Discuss generators for lift station and water plant.** This item was discussed in the Engineer's Report.

8. **Review issues relating to CJOB meeting.** Director Henderson reported that CJOB approved the manhole repairs on River Garden in Southdown Village. Director Henderson noted that the 2,000 feet of trunkline on Longenbaugh was televised and no serious problems were observed, but there was debris in the line.

9. **Consider WHCRWA Optional Capital Advance and Reimbursement Procedure.** This item was discussed in the November meeting.

10. **Other matters.** Ms. Peak reported that because the supplemental tax rolls have increased the value in the District, she now estimates that the District will have approximately 25% in reserves and does not recommend transferring money from the operating account into the debt service account at this time. Ms. Peak reported that the Board may consider redeeming callable bonds to pay off more debt as bonds become callable. Ms. Peak reported that FSWC would like to begin charging the District for hourly work related to the tax rate recommendations and other services. The Board discussed adding the FSWC fee schedule and schedule of callable debt to the January agenda items for discussion.

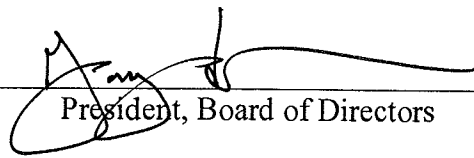
THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, the meeting was adjourned.

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The foregoing minutes were passed and approved by the Board of Directors on January 18, 2011.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

